

M e m o r a n d u m

To: Panel Members

Date: June 22, 2007

From: Diana Torres, Manager

Analyst: J. Davey

Subject: One-Step Agreement for **TENACORE HOLDINGS, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Moving To A High Performance Workplace
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - Worldwide: 57
 - In California: 57
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$136,500
- Substantial Contribution: \$0
- Total ETP Funding: \$136,500
- Total In-kind Contribution: \$179,840
 - Trainee Wages Paid During Training: \$114,840
 - Other Contributions: \$65,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange

INTRODUCTION:

Tenacore Holdings, Inc. (Tenacore) designs and manufactures replacement parts, medical devices and equipment for the medical industry. Located in Santa Ana and founded in 2000, the company's products and services include replacement parts and equipment such as cable assemblies for monitoring devices, surgical hand pieces, and replaceable plastic components for medical devices. Tenacore is eligible as a small business under the out-of-state competition provisions outlined in Title 22, California Code of Regulations (CCR), Section 4416(d)(1,2). Although Tenacore currently employs a workforce of 54, the company expects to hire 20 to 30 more workers within the 2 year term of the Agreement; therefore, the company requests funding for 75 trainees in this proposal.

MEETING ETP GOALS AND OBJECTIVES:

Tenacore proposes training that will further the following ETP goals and objectives:

1. Foster job retention in manufacturing industries threatened by out-of-state competition.
2. Develop frontline workers with skills that prepare them for the high performance workplace of the future, changes in technology, and global competition.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	Menu: Business Skills, Computer Skills, Continuous Improvement Skills, Manufacturing Skills	75	24 – 200	0	\$1,820	*\$13.51 – \$48.53
Wages After 90-Day Retention						
<u>Occupation</u>						
Engineering Staff Office Support Staff Production Staff Supervisors						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
*Health benefits of at least \$2.35 per hour may be added to the base wage to meet the ETP minimum hourly rate of \$13.51 per hour for Orange County.					6%	7%
<u>Other Employee Benefits:</u>						
In addition to Health Benefits, Tenacore offers Life Insurance, Short-Term Disability Insurance, Health Club Membership, Sick Leave, Holiday, and Vacation.						

COMMENTS / ISSUES:

➤ **Frontline Workers**

Fifty-three participants (93 percent) in this project meet the Panel definition of frontline workers under Title 22, CCR, Section 4400(ee). Four Supervisors (7 percent) will also participate in training. Tenacore states that no senior level managers who set company policy are included in the proposal. Although Tenacore currently employs a workforce of 57, the company expects to hire 20 to 30 more workers within the 2 year term of the Agreement; therefore, the company requests funding for 75 trainees in this proposal.

COMMENTS / ISSUES: (continued)

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal based on Tenacore's need to become more competitive by training its workers in the skills to move the company to a high performance workplace.

NARRATIVE:

Tenacore spokesperson reports that Tenacore is a small, but growing manufacturer in the global medical equipment market which is competing against worldwide giants like GE, Siemens and Baxter. Tenacore's current business model is "Repair and Replace." The company repairs equipment and parts from Original Equipment Manufacturers (OEM). As one example of its services, Tenacore's technical support services department repair fetal monitors that measure the heartbeat of a fetus. As OEM's upgrade their fetal monitoring technology, parts, and equipment, Tenacore must also upgrade its technology and then manufacture replacements as lower-cost alternatives. However, because the OEM's constantly upgrade their technology, Tenacore must keep pace with new technologies to automate its engineering, design and manufacturing processes. These continuous changes in technology and the resulting changes to design and manufacturing processes require the company to train its employees.

Currently, Tenacore's supervisors and managers are responsible for making decisions and problem solving. To remain competitive, the company must transition to a work environment where each frontline worker will be responsible for making decisions and problem solving. In addition, production workers, engineering, leads, customer service, and administrative support workers need training in quality and manufacturing processes, coupled with technical skills training including new equipment operations, and electronic equipment. This will give workers the new skills required to work more efficiently and come up with innovative ways to manufacture and process products and services.

Tenacore's customers continue to demand shorter delivery times, cost reductions, and better quality products and service. This means that it must not only meet these demands, but surpass customer expectations if it is to remain competitive in the market place. By providing this training, Tenacore's goal is to improve its products and find innovative ways to make new ones. The company proposes training in the following areas:

NARRATIVE: (continued)

Business Skills: Production, Engineering, Support and Supervisors need to be trained in order processing, communication, decision-making, leadership, customer service, motivation and other business skills to begin the process of understanding the basic operation of the company, its processes and how to improve productivity. Tenaore will also train frontline workers in skills that will improve team effectiveness, employee morale, loyalty and productivity.

Computer Skills: Production, Engineering, Support and Supervisors will be trained in Microsoft Office, Quickbooks and MasterCAM (Computer-Assisted Machining software). The skills are expected to improve productivity and efficiency. As employees become more competent in using the new software skills, their performance levels will increase. Computer skills are the basis for and are essential to learning manufacturing skills.

Continuous Improvement Skills: Production, Engineering, Support and Supervisors will be trained in Team Participation, Lean Manufacturing, Quality and Process Improvement, Statistical Process Control (SPC), Productivity Analysis, Teambuilding, Problem Solving and Decision Making. This training is expected to provide skills that will result in improved operating procedures and process improvement. SPC training will provide improved understanding and ability for Production Staff to use statistical information on production processes that will be used to gain better control over the manufacturing processes. Teambuilding skills will give trainees the skills to be able to work in a team environment. Productivity Analysis skills will provide trainees the skills to update systems, procedure and processes. Trainees will be able to identify important performance levels and productivity enhancement to make the organization more competitive.

Manufacturing Skills: Production Staff will learn the key metrics by which production performance is measured and will gain an increased understanding of their work performance on those metrics. They will learn the key work practices to increase efficiency and improved product quality; how to improve productivity by identifying the sources of lost production capacity and how to eliminate or minimize them. Production Staff will also receive training in areas other than their primary work area so that employees become expert in more than one work skill.

NARRATIVE: (continued)

Commitment to Training

A spokesperson for Tenacore states that ETP funding will not displace its own resources for training.

- As a small business, Tenacore has not been able to set aside specific funds for training. However, an estimated expense for training for its California facilities last year is \$10,000.
- The types of training provided to trainees include safety, orientation, job-specific skills, and regulatory compliance training.
- The company states that without ETP funding, it could not provide the level of training to its workers. As part of its commitment to training, Tenacore expects to invest approximately \$410,000 over the next 9 months in CNC machines, calibration test equipment, engineering software, electronic assembly workstations and other manufacturing equipment. Tenacore states it is committed to training its workers well beyond the term of ETP-funded training.

SUBCONTRACTORS:

Barry Menzel of Seal Beach will assist in contract administration in an amount not to exceed 13% of total funds earned. Training subcontractors will be determined prior to the start of training.

THIRD PARTY SERVICES:

Barry Menzel assisted Tenacore in developing this proposal for a flat fee of \$9,500.

Tenacore Holding, Inc.

MENU CURRICULUM

Class/Lab Hours Trainees will receive any of the following:

Job Number 1

24 – 200

Business Skills

- Order Processing
- Shipping and Receiving
- Communication Skills
- Purchasing
- Decision Making
- Product Planning
- Time Management
- Presentation Skills
- Customer Service
- Leadership
- Sales & Marketing
- Effective Meetings
- ISO
- Empowering and Motivation

Computer Skills

- Microsoft Office
- QuickBooks
- Adobe Illustrator
- Adobe Photoshop
- Master CAM
- Remote Access
- Presentations
- Internet/Intranet
- Accounting/Payroll
- Information Security
- Network Management
- System Administration

Tenacore Holding, Inc.

MENU CURRICULUM (continued)

Class/Lab Hours	Trainees will receive any of the following:
-----------------	---

Job Number 1	
--------------	--

24 – 200	
----------	--

	Continuous Improvement Skills
--	--------------------------------------

- | | |
|--|---|
| | <ul style="list-style-type: none">• Lean Manufacturing• Problem Solving/Root Cause Analysis• Quality Management System• Quality and Process Improvement• Statistical Process Control• Productivity Analysis• Teambuilding• Conflict Resolution |
|--|---|

	Manufacturing Skills
--	-----------------------------

- | | |
|--|---|
| | <ul style="list-style-type: none">• Manufacturing Process and Best Practices• Electronics and Bench Processes• Schematics• Equipment Operation and Maintenance• Inventory Control• Supply Chain Management• Packaging |
|--|---|